



Imperial Valley Resource Management Agency
El Centro, California
Audited Financial Statements
For the Year Ended June 30, 2025
With Independent Auditor's Report

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Independent Auditor's Report

**To the Board of Directors
of the Imperial Valley Resource Management Agency**
El Centro, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Imperial Valley Resource Management Agency (the "Agency"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2025, the changes in its net position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The Budgetary Comparison Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

**Glendale, California
March 30, 2026**

Imperial Valley Resource Management Agency
Statement of Net Position
June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents (Note 3)	\$	238,001
Grants receivable (Note 4)		8,950
		246,951
Total current assets		246,951

Noncurrent assets:

Capital assets, net (Note 5)		105,045
Right-of-use lease asset, net (Note 5)		6,184
		111,229
Total noncurrent assets		111,229

Total assets 358,180

LIABILITIES

Current liabilities:

Accounts payable		26,323
Lease liability – current (Note 5)		6,391
		32,714
Total current liabilities		32,714

Noncurrent liabilities:

Lease liability – noncurrent (Note 5)		-
		-
Total noncurrent liabilities		-

Total liabilities 32,714

NET POSITION

Net investment in capital assets		104,838
Restricted		
City-county program		65,496
Unrestricted		155,132
		325,466
Total net position	\$	325,466

See accompanying notes to the basic financial statements.

**Imperial Valley Resource Management Agency
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025**

OPERATING REVENUES

Memberships	\$	510,026
Waste tire clean-up program		162,701
City-county payment program		59,942
Used oil program		<u>47,596</u>
Total operating revenues		<u>780,265</u>

OPERATING EXPENSES

Operations and maintenance		181,012
Professional services		673,204
Depreciation and amortization (Note 5)		<u>22,876</u>
Total operating expenses		<u>877,092</u>

OPERATING LOSS (96,827)

NON-OPERATING EXPENSE

Interest expense		<u>537</u>
Total non-operating expense		<u>537</u>

CHANGE IN NET POSITION (97,364)

NET POSITION

Beginning of year		<u>422,830</u>
End of year	\$	<u><u>325,466</u></u>

See accompanying notes to the basic financial statements.

**Imperial Valley Resource Management Agency
Statement of Cash Flows
Year Ended June 30, 2025**

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:

Cash received from member agencies	\$	510,026
Cash received from grantors		393,713
Cash payments for operating goods and services		<u>(917,113)</u>
Net cash used in operating activities		<u>(13,374)</u>

CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases of capital assets		(115,555)
Payments on lease liability		(12,363)
Interest paid		<u>(537)</u>
Cash used in capital and related financing activities		<u>(128,455)</u>

Decrease in cash and cash equivalents		(141,829)
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CASH AND CASH EQUIVALENTS:

Beginning of year		379,830
End of year	\$	<u>238,001</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:

Operating income	\$	(96,827)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation and amortization		22,876
Decrease in:		
Grants receivable		123,474
Decrease in:		
Accounts payable		<u>(62,897)</u>
Total adjustments		<u>83,453</u>
Net cash used in operating activities	\$	<u>(13,374)</u>

See accompanying notes to the basic financial statements.

NOTE 1 REPORTING ENTITY

The Imperial Valley Resource Management Agency (the “Agency”) was formed in 2005 under the Joint Powers Agreements pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, among the cities of Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial and Westmorland, and the County of Imperial, all municipal corporations duly organized and existing under the laws of the State of California. The Agency provides coordination of economical and regional source reduction and recycling of solid waste to meet the diversion requirements mandated by the California Integrated Waste Management Act of 1989 including the monitoring and reporting of source reduction recycling information. The Agency is governed by a Board consisting of nine directors chosen from the participating entities. In February 2020, under Resolution 20-07, the administration of the Agency was transferred to Imperial County Transportation Commission.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the Agency are described below.

Basis of Accounting and Measurement Focus

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to Financial Statements.

The accompanying financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities are included in the accompanying Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents the changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. The financial statements are accounted for on a cost of services or economic resources measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included in the Statement of Net Position. Their reported fund equity presents the total net position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position.

Use of Restricted and Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Agency maintains cash and cash equivalents in the Imperial County Investment Pool. The Imperial County Investment Pool is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (“SEC”). These pooled funds are carried at cost, which approximates fair value. Interest earned is deposited quarterly into participating funds. For further information regarding the Imperial County Investment Pool, refer to the County of Imperial’s (“the County”) financial statements. Proceeds from the sale of bonds and amounts held for the repayment of principal and interest are held by a third-party fiscal agent. Funds held by the third-party fiscal agent are reported at fair value. The Agency considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Capital assets are depreciated or amortized using either the straight-line method over estimated useful lives or the unit of production method over the estimated useful mileage.

Leases

The Agency, as a lessee, recognizes a lease liability and an intangible right-of-use lease asset, in accordance with GASB Statement No. 87 – *Leases*. Under this statement, the Agency is required to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. See also Note 5.

Net Position

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets (where applicable). This portion of net position is not accessible for other purposes.

Restricted – This component of net position consists of restricted assets reduced by liabilities related to those assets. The restrictions are placed by third parties or enabling legislation.

Unrestricted – This component of net position is the remaining amount of the assets and liabilities that are not included in the determination of the restricted component of net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the basic financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Pronouncements

During the year ended June 30, 2025, the Agency implemented the following GASB standards. The implementation of these standards did not have an impact on the Agency's financial statements.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

NOTE 3 CASH AND CASH EQUIVALENTS

At June 30, 2025, the Agency had \$238,001 deposited in the Imperial County Investment Pool.

The Agency follows the practice of pooling cash and cash equivalents with the County for all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the average monthly invested cash balance in each participating fund.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2025, all cash and cash equivalents of the Agency have been pooled with the County and are not presented by specific, identifiable investment securities. Investment policies and associated risk disclosures applicable to the Agency are those of the County and are included in the County's financial statements. The County's financial statements can be obtained on the County's website at www.imperialcounty.org.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At June 30, 2025, the Agency's deposit in the Imperial County Investment Pool has a weighted average maturity of less than 12 months.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Imperial County Investment Pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investments of the Agency are in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The County does not have any investments in any one issuer (other than for Imperial County Investment Pool) that represent 5% or more of the Agency's total investment portfolio.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker - dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk (Continued)

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE 4 GRANTS RECEIVABLE

Grants receivable represents amount due to the Agency from its grantors. As of June 30, 2025, the amount due to the Agency was \$8,950.

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025 is as follows:

	<u>Balance at July 1, 2024</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2025</u>
Capital assets at cost:				
Vehicles	\$ -	\$ 115,555	\$ -	\$ 115,555
Right-of-use lease asset	<u>24,733</u>	<u>-</u>	<u>-</u>	<u>24,733</u>
Total capital assets	<u>24,733</u>	<u>115,555</u>	<u>-</u>	<u>140,288</u>
Less: Accumulated depreciation and amortization				
Vehicles	-	(10,510)	-	(10,510)
Right-of-use lease asset	<u>(6,183)</u>	<u>(12,366)</u>	<u>-</u>	<u>(18,549)</u>
Total accumulated depreciation and amortization	<u>(6,183)</u>	<u>(22,876)</u>	<u>-</u>	<u>(29,059)</u>
Total capital assets, net	<u>\$ 18,550</u>	<u>\$ 92,679</u>	<u>\$ -</u>	<u>\$ 111,229</u>

Depreciation and amortization expense for the capital assets for the year ended June 30, 2025 was \$22,876.

Right-of-use Lease Assets

The Agency entered into an agreement to lease an office space, which commenced on January 1, 2024, for 24 monthly payments of \$1,075 and with an option to renew the lease for a period agreed upon 30 days prior to the expiration of the existing lease. As a result of the lease, the Agency recorded a right-of-use asset and lease liability amounting to \$24,733 at the commencement date. The lease liability is measured at a discount rate of 4.45%.

NOTE 5 CAPITAL ASSETS (CONTINUED)

Right-of-use Lease Assets (Continued)

A summary of changes in the lease liability for the year ended June 30, 2025 is as follows:

	<u>Balance at July 1, 2024</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance at June 30, 2025</u>	<u>Due Within One Year</u>
Lease liability \$	18,754	-	(12,363)	6,391	6,391

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

<u>Years ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	6,391	59	6,450
	\$ 6,391	\$ 59	\$ 6,450

NOTE 6 OPERATING REVENUES

Memberships – The Agency receives dues and reimbursements from its member cities and the County. Revenues provided by memberships during the fiscal year ended June 30, 2025 amounted to \$510,026.

Waste tire clean-up program – The Agency implements a tire clean-up program pursuant to Section 42889(b)(5) of the Public Resources Code. The purpose of this program is to conduct cleanup, abatement, or other remedial actions related to the regional disposal of Imperial County's illegally dumped waste tires. The Waste Tire Cleanup Program includes the collection, removal, transportation, recycling, and disposal of Imperial County-collected waste tires from illegal tire piles and areas where illegal dumping has occurred along public rights-of-way. Total assistance provided under this program during the fiscal year ended June 30, 2025 amounted to \$162,701.

City-county payment program – The city-county payment program funds beverage container recycling projects implemented by cities and counties to help reach the state's 80% recycling goal. Total assistance provided under this program during the fiscal year ended June 30, 2025 amounted to \$59,942.

Used oil program – The Agency implements the used oil program pursuant to Section 48600 of the Public Resources Code. Used oil, used oil filter collection, other recycling activities, and educational activities are statutory components of the local used oil collection program (PRC section 48691). Total assistance provided under this program during the fiscal year ended June 30, 2025 amounted to \$47,596.

NOTE 7 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance through the Public Entity Risk Management Agency.

NOTE 8 SUBSEQUENT EVENTS

The Agency has evaluated events or transactions that occurred subsequent to the financial statement date through March 30, 2026, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no subsequent matters required disclosure or adjustment to the accompanying basic financial statements.

SUPPLEMENTARY INFORMATION

**Imperial Valley Resource Management Agency
Budgetary Comparison Schedule
Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
OPERATING REVENUES				
Memberships	\$ 745,841	\$ 745,841	\$ 510,026	\$ (235,815)
Waste tire clean-up program	237,000	237,000	162,701	(74,299)
City-County payment program	109,000	109,000	59,942	(49,058)
Used oil program	141,000	141,000	47,596	(93,404)
Total operating revenues	1,232,841	1,232,841	780,265	(452,576)
OPERATING EXPENSES				
Operations and maintenance	88,312	88,312	148,700	(60,388)
Professional services	657,529	657,529	327,587	329,942
Waste tire clean-up program	237,000	237,000	218,490	18,510
City-county payment program	109,000	109,000	97,798	11,202
Used oil program	141,000	141,000	61,641	79,359
Depreciation and amortization	-	-	22,876	(22,876)
Total operating expenses	1,232,841	1,232,841	877,092	355,749
OPERATING LOSS	-	-	(96,827)	(96,827)
NON-OPERATING EXPENSE				
Interest expense	-	-	537	(537)
Total non-operating expense	-	-	537	(537)
CHANGE IN NET POSITION	\$ -	\$ -	(97,364)	\$ (97,364)
NET POSITION				
Beginning of year			422,830	
End of year			\$ 325,466	

See accompanying notes to the basic financial statements.

NOTE 1 BUDGETARY INFORMATION

The Agency adheres to the following general procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule:

- The annual budget adopted by the Agency includes all proposed expenditures and estimated revenues.
- The budget is formally integrated into the accounting system.
- The budget for the Agency is adopted on a basis consistent with generally accepted accounting principles. The accrual basis of accounting is employed in the preparation of the budget.



**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**The Board of Directors
of the Imperial Valley Resource Management Agency**
El Centro, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Imperial Valley Resource Management Agency (the “Agency”), as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated March 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California
March 30, 2026**



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